

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AGRE-00 EB-08 CIAE-00 INR-10  
NSAE-00 COME-00 /031 W  
-----096126 201102Z /11  
P R 191457Z APR 78  
FM AMEMBASSY BUDAPEST  
TO SECSTATE WASHDC PRIORITY 1260  
INFO AMEMBASSY VIENNA

LIMITED OFFICIAL USE SECTION 1 OF 2 BUDAPEST 1585

E.O.11652: N/A  
TAGS: EAGR, HU  
SUBJECT: BRIEFING PAPER FOR SECRETARY BERGLAND'S TRIP TO HUNGARY  
  
REF: STATE 094513

1. FOLLOWING IS TEXT OF BRIEFING PAPER REQUESTED REFTEL:

A. SCOPE: HUNGARIAN AGRICULTURE IS AMONG THE STRONGEST IN EASTERN EUROPE. IT CONTRIBUTES 16 PERCENT TO HUNGARY'S NATIONAL INCOME AND 25 PERCENT WHEN THE FOOD INDUSTRY IS INCLUDED. IN THE LAST FEW YEARS, HUNGARY BECAME A MAJOR EXPORTER OF GRAIN AND MEAT. WITH DOMESTIC DEMAND FULLY MET, THE COUNTRY EXPORTS HALF OF ITS BEEF AND POULTRY, ONE-THIRD OF ITS PORK AND THREE-QUARTERS OF ITS LAMB PRODUCTION. AGRICULTURE IS A MAINSTAY OF THE COUNTRY'S ECONOMY, WITH FARM PRODUCTS ACCOUNTING FOR MORE THAN 40 PERCENT OF ALL EXPORTS TO NON-CEMA COUNTRIES.

B. PROGRESS AND TECHNOLOGY: DURING THE PAST SIX YEARS, AGRICULTURAL PRODUCTION HAS GROWN ON THE AVERAGE 4-5 PERCENT ANNUALLY, WITH GRAIN PRODUCTION SHOWING EVEN A HIGHER GROWTH RATE. LAST YEAR, HUNGARY PRODUCED ALMOST  
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12.5 MILLION TONS, AND PLANS ARE FOR 14.0 MILLION TONS OF PRODUCTION BY 1980. INCREASED APPLICATION OF MODERN TECHNOLOGY AND THE HIGH CALIBER OF HUNGARIAN EXPERTS CONTRIBUTED TO THIS PROGRESS. TODAY, 100 PERCENT OF THE SMALL GRAIN, AND 80 PERCENT OF THE CORN HARVEST ARE MECHANIZED. THE MOST NEGLECTED PART OF AGRICULTURE IS THE VEGETABLE SECTOR, WHERE MODERN PRODUCTION TECHNOLOGY

IS STILL MOSTLY ABSENT. TECHNOLOGY AND MACHINERY COME PRIMARILY FROM THE USSR, EAST GERMANY AND CZECHOSLOVAKIA, ALTHOUGH SUBSTANTIAL AMOUNTS COME ALSO FROM THE WEST. MANY FARM MANAGERS IN HUNGARY PREFER TO USE THE BETTER AND LARGER CAPACITY WESTERN MACHINERY WITH MORE SOPHISTICATED PARTS/SUPPLIES, BUT LACK OF HARD CURRENCY PREVENTS ITS WIDER APPLICATION.

C. STRUCTURE: NINETY-FIVE PERCENT OF HUNGARY'S AGRICULTURAL LAND IS IN LARGE "SOCIALIZED" LAND HOLDINGS (STATE AND COLLECTIVE FARMS), AVERAGING OVER 7,000 ACRES PER FARM. THE REMAINING FIVE PERCENT OF LAND COVERS THE SO-CALLED SMALL HOUSEHOLD PLOTS WHERE THE SIZE IS OFTEN LESS THAN ONE-HALF ACRE. ALTHOUGH SMALL IN SIZE, THIS SECTOR CONTRIBUTES LARGE AMOUNTS TO THE NATION'S AGRICULTURAL OUTPUT: 50 PERCENT OF ALL HOGS AND POULTRY AND 40 PERCENT OF ALL VEGETABLES.

D. TRADE: HUNGARY IS ONE OF THE NINE MEMBERS OF THE CEMA (COUNCIL FOR MUTUAL ECONOMIC ASSISTANCE). ROUGHLY TWO-THIRDS OF ITS AGRICULTURAL TRADE IS CONDUCTED WITHIN CEMA COUNTRIES, LEAVING ONE-THIRD TO TRADE WITH THE WEST. LONG-TERM COMMITMENTS FOR SHIPMENTS OF AGRICULTURAL PRODUCTS ARE COMMON. NEARLY ONE-HALF OF HUNGARY'S GRAIN, 70 PERCENT OF LIVE CATTLE AND OVER 80 PERCENT OF FRUIT AND VEGETABLE EXPORTS ARE COMMITTED FOR LIMITED OFFICIAL USE

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DELIVERY TO CEMA PARTNERS. FOR SOME COMMODITIES, SUCH AS GRAINS AND MEATS, HUNGARY RECEIVES EITHER HARD CURRENCIES OR GOODS WHICH ARE AVAILABLE ONLY IN THE WEST.

THE WEST IS A RESIDUAL MARKET. THE MAJOR HUNGARIAN EXPORT TO THE U.S. IS CANNED HAMS. THESE REACHED \$20 MILLION IN 1977, AND SOON WILL SHOW SHARP INCREASES WHEN THE NEWLY BUILT MEAT PROCESSING PLANT AT KAPOSVAR BECOMES OPERATIONAL. SOME WINE AND RED PEPPER IS ALSO SHIPPED TO THE U.S.

ON THE IMPORT SIDE, THE LARGEST TRADE WITH THE U.S. LIES IN SOYBEAN MEALS: IN 1977, 120,000 TONS WERE IMPORTED --DOWN SUBSTANTIALLY FROM 1976 BECAUSE OF BRAZILIAN COMPETITION AND SOME QUALITY PROBLEMS -- BUT IMPORTS WILL BE UP TO ABOUT 200,000 TONS IN 1978. THE COUNTRY ALSO IMPORTED SOME 5,700 HEAD OF BREEDING CATTLE (HOLSTEIN-FRIESIAN) IN 1977, SEED FOR SOWING AND CATTLE HIDES.

E. BILATERAL FEATURES:

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INFO OCT-01 ISO-00 AGRE-00 EB-08 CIAE-00 INR-10  
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P R 191457Z APR 78  
FM AMEMBASSY BUDAPEST  
TO SECSTATE WASHDC PRIORITY 1261  
INFO AMEMBASSY VIENNA

LIMITED OFFICIAL USE SECTION 2 OF 2 BUDAPEST 1585

(1) WHEN MINISTER ROMANY VISITED THE U.S. 18 MONTHS  
AGO, HE WAS GREATLY IMPRESSED WITH AMERICAN AGRICULTURE  
AND WITH THE EFFICIENCY WITH WHICH OUR DAIRY, BEEF AND  
SWINE GROWERS OPERATE. HE LIKED TO SEE THE DEVOTION AND  
LOVE OF RURAL PEOPLE TO FARMING AND HARD WORK WITH WHICH  
THESE PEOPLE CARRIED OUT THEIR JOB ON SATURDAYS AND  
SUNDAYS. (THIS IS SELDOM SEEN IN HUNGARY.)

(2) HUNGARY CONTINUES TO SHOP FOR FARM TECHNOLOGY  
IN THE WEST. IN THIS CONNECTION, HUNGARIANS GREATLY  
APPRECIATE THE WORK OF ASA (IN COOPERATION WITH USDA'S  
FAS). THE PROGRAM INCLUDES SEMINARS ON LIVESTOCK FEEDING  
AND DISSEMINATION OF PUBLICATIONS AND SITUATION REPORTS.  
IN ADDITION, ALMOST EVERY YEAR A HUNGARIAN LIVESTOCK  
TEAM VISITS THE U.S. TO STUDY FEEDING OPERATIONS. TODAY,  
SOYBEAN MEAL IS OUR LARGEST SELLING ITEM TO HUNGARY.  
LIKEWISE, THE WORK OF THE U.S. HOLSTEIN-FRIESIAN  
ASSOCIATION (IN COOPERATION WITH USDA'S FAS) IS GREATLY  
VALUED. NOT ONLY DID HUNGARY IMPORT LARGE NUMBERS OF  
BREEDING CATTLE OVER THE PAST SIX YEARS, BUT THE HUNGARIANS  
ALSO CONTINUE TO RELY HEAVILY ON U.S. EXPERTISE IN DAIRY  
CATTLE MANAGEMENT. THE RESULT HAS BEEN SHARP INCREASES IN  
MILK PRODUCTION.

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THERE ARE NOW TWO TEAMS TOURING THE U.S. -- ON IS  
LOOKING FOR SPECIAL SEED VARIETIES FOR ADAPTATION IN  
HUNGARY; AND THE OTHER FOR LIVESTOCK BREEDING STOCK AND

FEEDING MANAGEMENT (SWINE AND CATTLE) EQUIPMENT AND  
EXPERTISE.

(3) A GREAT EFFORT IS BEING MADE TO DEVELOP AN  
EXPORT-ORIENTED FOOD INDUSTRY. A CASE IN POINT IS THE  
CURRENT PLANT TO SUBSTANTIALLY ENLARGE MEAT PROCESSING  
FACILITIES FOR THE U.S. MARKET (CANNED HAMS).

2. SECRETARY SHOULD HAVE TALKING POINTS PAPERS ON 4-H  
CLUB EXCHANGE PROGRAM AND ON AGRICULTURAL RESEARCH  
COOPERATION. ARE THESE BEING DONE IN DEPARTMENT?  
WILGIS

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## Message Attributes

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